

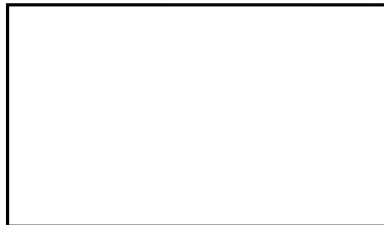
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NATIONAL INTELLIGENCE DAILY CABLEThursday May 12, 1977CG NIDC 77-110C**NATIONAL SECURITY INFORMATION**

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National Intelligence Daily Cable for Thursday, May 12, 1977.

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The NID Cable is for the purpose of informing senior US officials.

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SAUDI ARABIA: Oil Facility Fire

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[REDACTED] A major Saudi oil distribution and processing facility has been hit by a serious fire and explosion. Output has been suspended temporarily.

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[REDACTED] The facility is located at Abqaiq, 75 kilometers southwest of Ras Tanura. [REDACTED]

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[REDACTED] It is too early to determine the extent of the damage or the duration of the production interruption. The fire apparently started from a pipeline rupture and spread to an oil and gas processing plant, which exploded, causing an unknown number of deaths. [REDACTED]

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CANADA: Future Energy Policy

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[REDACTED] Canada's release on Monday of the Berger report, which points out the negative impact of a proposed gas pipeline to the US through the Mackenzie Valley, has triggered a major political debate over the country's future energy policy.

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[REDACTED] The report's recommendation that construction of the projected \$6- to \$10-billion pipeline be delayed ten years, and then begun only after the government settles all claims by natives of the area, presents Ottawa with a politically tough choice between economic imperatives and native rights. The report by Berger, a justice of British Columbia's Supreme Court, warns that a strong "US lifeline" across Canada could create tensions between Ottawa and Washington because the "risks" remain in Canada while the "urgency" is in the US.

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[REDACTED] Berger's conclusions, the result of a government commission set up in 1974 to examine the environmental and social consequences of a Mackenzie Valley pipeline, were not totally unexpected, but they come at a difficult time for the government of Prime Minister Trudeau.

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[REDACTED] Senior government officials, including Trudeau, who favor a trans-Canada pipeline, had hoped to make an early

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[redacted]

decision on a pipeline route in order to avoid the disruptive effect of a protracted discussion over which route provides the best balance between native demands and Canada's energy needs. Most officials believe, however, that the government cannot afford to ignore the report's recommendations, especially given the splash it has made in the media.

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[redacted] The opposition parties, unhappy that the September 1 deadline for choosing a new route will occur when parliament is not in session, have called for a full parliamentary debate before any final selection is made. Trudeau has refused, fearing that an ill-prepared debate in Commons--particularly given the pro- and anti-pipeline elements in both parties--could get out of hand and bring down his Liberal government.

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[redacted]

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[redacted] The native peoples--Inuit, Indians, and Metis--all agree that their land claims must be settled before any major development of the northern area can take place. They are insisting on semi-autonomy, a voice in resource development, mineral royalties, and native corporations to ensure long-term benefits for northern Canada. Although none of these claims is new, they have received added impetus from the Alaskan Indian claims settlement and from the separatist victory in Quebec.

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[redacted] The Berger report comments that the Alcan route would pose less threat than the Mackenzie Valley route to the environment and native peoples. There are indications that the native peoples in the southern Yukon Territory would agree to a pipeline across their region provided "certain conditions" are met before construction begins, and federal officials believe they can get an "agreement in principle" by fall with these people. The native peoples in the northern Yukon and the Northwest Territories are adamantly opposed to any pipeline crossing.

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[redacted] An early, positive decision on a pipeline route would give a much-needed transfusion to the Canadian economy. A decision before the natives' rights issue is settled, however, would run the risk of sparking an open confrontation, including violence, with the native peoples. [redacted]

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PAKISTAN: Political Situation

25X1 [] Pakistani Prime Minister Bhutto told reporters yesterday that he is willing to meet with opposition leaders and that "some conclusion" might be reached with them in a day or two. It is unlikely, however, that Bhutto is willing to make the political concessions needed to bring an early end to Pakistan's political crisis. Bhutto apparently believes that time is on his side, and he may be negotiating more to buy time than because he expects to work out a compromise.

25X1 [] Bhutto had earlier suggested that the opposition negotiate with members of his cabinet, a procedure that would probably have served mainly to delay a settlement. After the opposition rejected this proposal, he agreed to meet with opposition leaders himself.

25X1 [] The main point to be negotiated is Bhutto's future status. According to the latest opposition proposal, Bhutto would resign 30 days before a new national election. As a compromise, he has offered to hold new national and provincial assembly elections but has made no commitment to leave office. Both Bhutto and the opposition leaders apparently believe that if he remains prime minister during the election campaign, he can determine the results of the election.

25X1 [] Bhutto probably sees little need to work for an early compromise. In time, he probably believes deep differences among opposition leaders may surface, or the opposition's street campaign against him could die out. Although the opposition continues to stage demonstrations and strikes, some of them violent, it has not been able to match the widespread violence of April 22 that threatened to drive Bhutto from office.

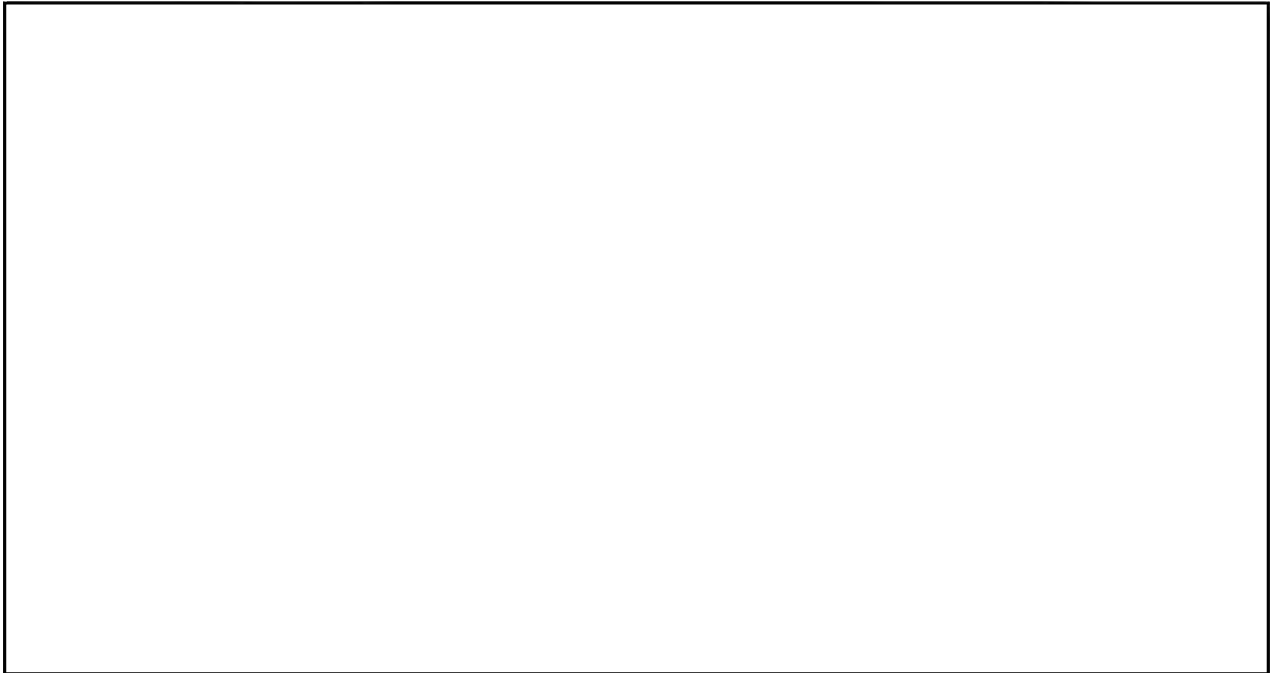
25X1 [] To delay a settlement, Bhutto must continue to hold out the hope that the opposition can attain its goals through negotiations. Otherwise, the opposition may once again take to the streets in force, and the army--whose support is essential to Bhutto--could reassess its position. 25X1

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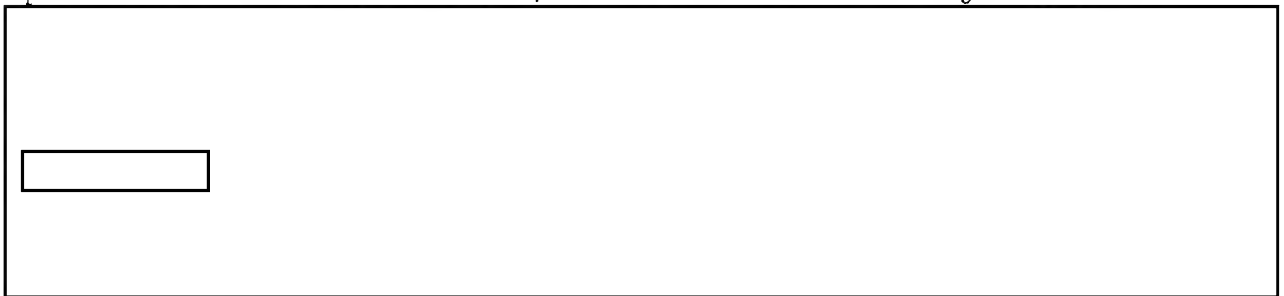


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EAST-WEST GERMANY: Negotiations

[redacted] For several months the West Germans have been working on a "package" of economic and transportation projects to present to the East Germans in the inter-German negotiations.

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[redacted] The package features West German support for several transportation projects involving Berlin. They include the northern crossing point for the projected Hamburg-Berlin autobahn, reopening of the Teltow Canal, purchase of East German - owned land in the center of West Berlin, and construction of a second Spandau Canal lock. Bonn has offered to contribute about \$250 million for those projects.

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[] Bonn took the lead in preparing these proposals rather than the West Berlin authorities because, as a practical matter, the West Germans are usually expected to foot the bill for transit route improvements or projects involving Berlin. The West Germans argue that the Quadripartite Agreement authorizes them to negotiate with the East Germans on such matters. East Germany usually insists on dealing directly with the West Berlin Senat but, in most cases, concedes Bonn a major role.

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[] Previous "package deals" hammered out by Schmidt and East German party leader Honecker have included topics that touch on bilateral relations as well as Berlin issues.

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[] Schmidt has repeatedly expressed hope that once the four Berlin projects are started, the two governments can move quickly to talks on the entire Hamburg-Berlin autobahn, a project of great interest to the West Germans. The East Germans, however, may resist West German pressure on the issue. They claim they will not have the necessary construction equipment until next year and wish to adhere to the previously accepted timetable, which calls for negotiation next year and construction beginning in 1980.

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[] Despite the problems in recent months caused by Soviet and East German moves against four-power responsibilities in East Berlin, both German sides now appear interested in setting this difference aside in favor of pursuing improvements in economic relations. The East Germans could add several other thorny political questions to the agenda, but recent remarks by Honecker indicate that he may be willing to put aside the most vexing issue dividing the two Germanies--that of a separate East German citizenship--in order to encourage West German soundings.

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[] Honecker has appeared to play down the importance of the West German package in public statements. East German economic interest in the specific West German proposals on Berlin transportation projects is high. []

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BOTSWANA: Military Situation

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[REDACTED] President Khama has welcomed a British offer to help train and organize Botswana's embryonic defense force. The proposal comes at a time when Botswana is increasingly concerned about security conditions along the Rhodesian border.

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[REDACTED] The UK probably will not grant military equipment, but may facilitate the sale of some arms. Botswana's acceptance of the offer reflects its intention to retain close ties with Britain and the West despite having accepted a substantial quantity of small arms from China.

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[REDACTED] The Khama government is concerned about the worsening security situation along the border with Rhodesia. [REDACTED]

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[REDACTED] The explosion of a hand grenade last week in Francistown, a town near the Rhodesian border, will exacerbate already tense racial feelings in the town. The explosion took place in a popular multiracial nightclub. Two were killed and 80 wounded, mostly black.

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[REDACTED] The Rhodesian government will probably be blamed because most Batswana are aware of its desire to eliminate Rhodesian guerrillas from the Francistown area. Rhodesian security forces occasionally carry out small-scale cross-border raids in pursuit of infiltrating guerrillas.

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[REDACTED] According to the latest Botswanan government figures, around 2,300 refugees are in the country, despite government efforts to place many of them in educational institutions elsewhere. Most are from Rhodesia and South Africa, with lesser numbers from Angola and Namibia. Nearly 900 Rhodesian refugees are in Francistown alone.

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[REDACTED] Many of the refugees who flee across the border are primarily interested in military training and thus are a potential target for Rhodesian security forces. The Rhodesians have made several attempts to recapture black youths they say were

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abducted by nationalist guerrillas. Botswana is concerned that the Rhodesians will make a major military strike across the border if they believe they have spotted a guerrilla concentration. [REDACTED]

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KOREA: Seaborne Infiltration

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[redacted] *A South Korean fisheries patrol boat was sunk Tuesday evening off the southern coast near Pusan.*

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[redacted] The survivors say the attackers used grenades and rockets to destroy the unarmed boat and captured one of the South Korean crew members. North Korean agent boats usually attempt to avoid contact, and this one could easily have outrun the slow-moving South Korean patrol boat.

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[redacted] One crew member was killed and another is missing. South Korean authorities say they recovered the hull of the patrol craft and found in it pieces of a rocket like those used by North Korean armed forces. The South Korean navy has conducted extensive search operations but has discovered no evidence of agent activity in the area.

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